

Message Text

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 STR-08 RSR-01

CEA-02 /178 W

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R 121853 Z APR 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9187

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 PARIS 10310

E. O.: 11652: GDS

TAGS: ETRD, FR, EC, GATT

SUBJ: FRENCH PATRONAT PRESIDENT' S SPEECH ON US- EC RELATIONS

SUMMARY: PATRONAT PRESIDENT CEYRAC, IN SPEECH TO U. S. CHAMBER OF COMMERCE, SAID THAT WHILE FRENCH UNDERSTAND U. S. DETERMINATION TO DEFEND ITS ECONOMIC STANDARDS, THEY CANNOT UNDERSTAND APPARENT U. S. BELIEF THAT WE HAVE SOMEHOW LOST AN ECONOMIC ADVANTAGE TO EUROPE WHICH WE MUST REGAIN. HE SAID THAT FRENCH ARE CONCERNED THAT AFTER TWO DEVALUATIONS WHICH HAVE RESTORED U. S. COMPETITIVE POSITION, WE NOW EXPECT TO RECEIVE MORE THAN WE GIVE IN TRADE NEGOTIATIONS. HE ALSO WARNED THAT U. S. SHOULD NOT FEED FORCES OF PROTECTIONISM TOO MUCH LEST INSTEAD OF MAKING THEM LESS AGGRESSIVE, CONFIDENTIAL

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WE MAKE THEM STRONGER. COMMENT: CEYRAC'S REMARKS ARE TYPICAL OF AN INCREASINGLY VOCAL FRENCH CRITICISM AND SUSPICION OF U. S. POLICIES TOWARD EUROPE AND OUR OBJECTIVES IN THE TRADE NEGOTIATIONS. FRENCH FEAR THAT WE NO LONGER APPROACH NEGOTIATIONS ON BASIS OF RECIPROCITY AND THAT WE WILL SEEK TO USE THEM TO IMPROVE OUR COMPETITIVE TRADING POSITION. IF ALLOWED TO CONTINUE, THIS SUSPICION AND HOSTILITY WILL CAUSE THE FRENCH TO RETREAT STILL FURTHER INTO A POSTURE OF STUBBORN RESISTANCE. WE BELIEVE MOST EFFECTIVE WAY TO COUNTER THIS SUSPICION OF U. S. MOTIVES IS TO CONTINUE TO CORRECT OUR TRADE DEFICIT AND THAT OUR OBJECTIVE IN TRADE NEGOTIATIONS IS TO INSURE CONDITIONS NECESSARY FOR EXPANSION OF WORLD TRADE TO BENEFIT OF ALL PARTICIPANTS. END SUMMARY

1. FRENCH PATRONAT PRESIDENT CEYRAC DELIVERED A TOUGH SPEECH ON US- EC RELATIONS TO AMERICAN CHAMBER OF COMMERCE ON APRIL 10. CEYRAC DEVOTED FIRST PART OF HIS REMARKS TO GENERAL EXAMINATION OF FRENCH ECONOMY. HE POINTED TO OBVIOUS POTENTIAL FOR CONTINUED VIGOROUS EXPANSION BUT CONTENDED THAT THIS EXPANSION IS VERY FRAGILE AND EXTREMELY VULNERABLE TO INTERNAL AND EXTERNAL DISTURBANCES. HE SAID IT IS ESSENTIAL TO UNDERSTAND THIS FRAGILE NATURE OF FRENCH ECONOMY IN ORDER TO UNDERSTAND FRENCH REACTION TO CURRENT U. S. FOREIGN ECONOMIC POLICIES.

2. FRANCE UNDERSTANDS U. S. DETERMINATION TO DEFEND ITS ECONOMIC INTERESTS, BUT U. S. APPEARS TO BELIEVE THAT EUROPE AND JAPAN HAVE GAINED AN ADVANTAGE AT OUR EXPENSE AND THAT WE MUST NOW REGAIN LOST GROUND. ON THIS, CEYRAC SAID, THE FRENCH DO NOT AGREE. ARGUING THAT U. S. HAS BENEFITED GREATLY FROM FORMATION OF EC BOTH IN TERMS OF TRADE AND INVESTMENT, CEYRAC SAID THAT FRENCH BELIEVE THAT U. S. - EUROPEAN COOPERATION HAS BEEN MUTUALLY BENEFICIAL. THUS THERE ARE THINGS IN RECENT STATEMENTS BY U. S. LEADERS WHICH FRENCH ARE UNABLE TO UNDERSTAND: (A) AFTER TWO DEVALUATIONS WHICH HAVE RESTORED U. S. COMPETITIVE POSITION AND WHICH CAUSE SERIOUS DIFFICULTIES FOR SOME FRENCH FIRMS, U. S. NOW APPEARS TO VIEW COMMERCIAL NEGOTIATIONS AS AN OPPORTUNITY TO IMPROVE STILL FURTHER ITS POSITION VIS- A- VIS EUROPE. U. S. GIVES IMPRESSION OF THINKING IT SHOULD RECEIVE MORE THAN IT GIVES IN THESE NEGOTIATIONS. (B) RECENT U. S. STATEMENTS AND ACTIONS APPEAR TO CALL INTO QUESTION THE VALIDITY OF THE LIBERAL INTERNATIONAL ECONOMIC POLICY WHICH WE WERE FINALLY SUCCESSFUL IN CONVINCING FRANCE TO ADOPT. U. S. OFFICIALS AFFIRM THAT OUR POLICY REMAINS UNCHANGED. BUT DISQUIETING REPORTS ON THE CONTENTS OF THE PRESIDENT'S TRADE BILL, CUR-
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RENT U. S. ANTI- DUMPING POLICIES, ETC. CONTRADICT THESE ASSURANCES. BECAUSE THE FRENCH BELIEVE IN THE VIRTUES OF COMPETITION AND FREEDOM OF TRADE, THEY ARE CONCERNED TO SEE A WIDENING GAP BETWEEN U. S. PUBLIC DECLARATIONS AND THE REALITY OF OUR ACTIONS. (C) IN THE MONETARY AREA, THE FRENCH SOMETIMES WONDER WHETHER U. S. PERHAPS SEEKS TO OBTAIN NEW TRADE CONCESSIONS IN EXCHANGE FOR PARTICIPATING IN THE SEARCH FOR A SOLUTION TO MONETARY PROBLEM FOR WHICH WE ARE AFTER ALL RESPONSIBLE IN A MAJOR WAY.

3. CEYRAC SAID FRENCH REALIZE THAT SOME OF U. S. ADMINISTRATION' S STATEMENTS ARE AIMED AT DOMESTIC AUDIENCE AND RECOGNIZE IT IS SOMETIMES NECESSARY TO SAY CERTAIN THINGS IN THAT CONTEXT WHICH MAY DISQUIET FOREIGN LISTENERS BUT WHICH ARE ESSENTIAL TO FIGHT AGAINST PROTECTIONISM. BUT, CEYRAC WARNED, FRANCE ALSO HAS PUBLIC OPINION CONSIDERATIONS AND U. S. SHOULD BEWARE THAT WE DO NOT AGGRAVATE THEIR PROBLEMS. U. S. SHOULD ALSO BEWARE THAT IT DOES NOT FEED FORCES OF ITS OWN PROTECTIONISM TOO MUCH LEST INSTEAD OF MAKING THEM LESS AGGRESSIVE, WE MAKE THEM STRONGER.

4. COMMENT: WE BELIEVE THAT PARTICULAR IMPORTANCE MUST BE ATTACHED TO THIS SPEECH, FIRST, BECAUSE OF THE IMPORTANCE OF THE ORGANIZATION WHICH CEYRAC REPRESENTS AND, SECOND, BECAUSE IT IS A CAREFULLY STRUCTURED AND LUCID EXPRESSION OF WHAT MANY OTHER FRENCH ARE SAYING. CEYRAC' S PRESENTATION IS DIFFERENT FROM THE SPATE OF COMMENT WHICH AS APPEARED IN THE FRENCH PRESS IN RECENT MONTHS ONLY IN THAT IT IS SOMEWHAT MORE MODERATE IN TONE. THE FRENCH ARE BECOMING INCREASINGLY APPREHENSIVE ABOUT U. S. INTENTIONS TOWARD EUROPE IN GENERAL AND OUR OBJECTIONS IN THE TRADE NEGOTIATIONS IN PARTICULAR.

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5. NEITHER THE GOF NOR THE FRENCH PUBLIC HAS BEEN VERY ENTHUSIASTIC ABOUT TRADE NEGOTIATIONS FEARING THAT AT BEST THEY WILL RESULT IN ONLY MINIMAL REDUCTION OF TRADE BARRIERS AND AT WORST WILL BE USED BY THE U. S. TO OBTAIN UNILATERAL TRADE CONCESSIONS. FOR THE LATTER REASON, THE GOF INSISTED ON THE INCLUSION OF A REFERENCE TO GLOBAL RECIPROCITY IN THE FEBRUARY 1972 US- EC DECLARATION. STATEMENTS IN RECENT MONTHS BY U. S. SPOKESMEN ON SUCH SUBJECTS AS AGRICULTURE, PREFERENCES AND THE NEED TO CORRECT INEQUITIES IN WORLD TRADE HAVE HEIGHTENED THE GENERAL FRENCH SUSPICION OF OUR MOTIVES AND CAUSED MANY TO CONCLUDE THAT THE U. S. NO LONGER APPROACHES THE NEGOTIATIONS ON THE BASIS OF RECIPROCITY. AS CEYRAC CHARGED, MANY FRENCH SUSPECT THAT THE U. S. LOOKS TO THE NEGOTIATIONS AS A FURTHER OPPORTUNITY TO IMPROVE
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ITS TRADING POSITION.

6. THE RESULT OF THIS SITUATION IS THAT THE FRENCH ARE TENDING TO RETREAT STILL FURTHER INTO A POSTURE OF STUBBORN RESISTANCE. GIVEN FRANCE' S KEY ROLE WITHIN THE EC, THIS CAN ONLY INCREASE THE DIFFICULTIES WE WILL FACE IN THE NEGOTIATIONS. INDEED, IF THESE FEELINGS OF ALARM AND HOSTILITY TOWARD US CONTINUE TO RISE AS RAPIDLY HERE AS THEY HAVE OVER THE PAST FEW MONTHS, THE TRADE NEGOTIATIONS COULD BECOME A FORUM FOR CONFRONTATION AND LEAD TO A SERIOUS DETERIORATION IN OUR OVERALL RELATIONS WITH WESTERN EUROPE.

7. WE BELIEVE THAT THE MOST EFFECTIVE WAY TO COUNTER THIS SUSPICION OF U. S. MOTIVES IS TO CONTINUE TO STRESS: (A) THAT THE U. S. IS RELYING ON THE EFFECTS OF THE RECENT EXCHANGE RATE READJUSTMENTS TO CORRECT ITS PRESENT TRADE DEFICIT; AND (B) THAT WE LOOK TOWARD THE TRADE NEGOTIATIONS AS AN OPPORTUNITY TO INSURE THE FUTURE EXPANSION OF WORLD TRADE TO THE BENEFIT OF ALL. IN OTHER

WORDS, TRADE NEGOTIATIONS ARE UNIQUE IN THAT EVERYONE STANDS TO GAIN-- THEY ARE NOT A ZERO- SUM GAME. IN COMING WEEKS, WE WILL DRAW ON THE MATERIAL IN THE PRESIDENT' S APRIL 10 MESSAGE TO MAKE THESE POINTS. WHILE WE SHOULD BE UNDER NO ILLUSIONS ABOUT OUR ABILITY TO MOVE THE FRENCH VERY RAPIDLY FROM WHAT ARE CLEARLY GOING TO BE VERY TOUGH POSITIONS ON INDIVIDUAL ISSUES IN THE NEGOTIATIONS, THIS APPROACH MAY MAKE IT POSSIBLE TO CLEAR UP A FUNDAMENTAL MISUNDERSTANDING ABOUT OUR OBJECTIVES WHICH MIGHT OTHERWISE SERIOUSLY PREJUDICE THE NEGOTIATING ATMOSPHERE.
IRWIN

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